Asset opportunity for the poor: an asset-based policy agenda towards inclusive growth in China

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The concept of inclusive growth recently embraced by the Chinese government marks a new way of thinking about social policy and development. The primary goal of inclusive growth is to ensure that all people, especially the poorest, have an equal opportunity to participate in, and benefit from, the country's economic growth. In accordance with the new orientation of development strategies, there has been a paradigm shift in social policy from conventional income maintenance to promotion of the poor's asset accumulation and long-term development. Given China's striking social and economic inequalities, this article argues that an asset-based social policy is a key strategy in the strengthening of inclusive growth. The article highlights several areas of the welfare system where asset-based policies could be developed or expanded.

中国政府近年来所倡导的包容性增长体现了一种对经济发展和社会政策的新的思路。包容性增长的核心目标是确保所有人，特别是最贫困人群获得参与经济发展、共享发展成果的平等机会。立足于中国当前的经济与社会背景，本文提出资产为本的社会政策可以成为促进实现包容性增长的一个重要策略。通过对资产不平等的分析，本文着重探讨了几个社会福利政策领域内资产社会政策的可能发展方向。

Keywords: inclusive growth; asset-based social policy; asset opportunities; development

关键词：包容性增长; 资产为本的社会政策; 资产机会; 发展

While China's economy is continuously expanding, the traditional single-minded pursuit of economic growth has come under scrutiny (The United Nations 2010b). Accompanying China's substantial economic growth in the past decades are various social challenges, including growing inequality, potential social unrest and environmental deterioration, which, in turn, may hinder prospects for economic development in the long run. As it enters the twenty-first century, the Chinese government has begun to re-evaluate its development strategies, taken a more long-term approach and placed greater emphasis on the quality, rather than the pace, of economic growth. The concept of inclusive growth recently embraced by the Chinese government represents a new strategy to sustain economic development. Often cited by China's president, Hu Jintao,[1] inclusive growth is crucial to China's new Five-Year Plan (FYP) (2011–2015) and is heralded as the solution to a variety of social and economic challenges.

'Inclusive growth' refers both to the pace and pattern of economic growth. It ensures that all people, especially the poorest, have an equal opportunity to participate in growth and share in its benefits (Ali 2007; Ianchovichina and Lundstrom 2009; Zhuang 2008). It is not simply an economic strategy; it is based on an innovative social policy perspective that connects the welfare of the most vulnerable with the broader process of sustainable economic development (Ianchovichina and Lundstrom 2009). One promising policy strategy for inclusive growth is asset-based social policy. Assets are reserves of wealth that can be used to cushion income loss or to invest in education, business or other long-term goals (Oliver and Shapiro 1995; Sherraden 1991). The asset-based social policy approach emphasizes saving and asset accumulation for long-term development and capacity building, and provides the poor with opportunities to develop assets (Midgley 2003; Schreiner and Sherraden 2007). It is an approach that promotes inclusive growth.

Still, despite the burgeoning interest in inclusive growth, there has been little discussion of the ways in which an asset-based approach could inform a shift in economic policy. This article aims to bridge this gap by discussing the connection between asset-based social policy and inclusive growth in the context of China. Policy examples illustrate the promise of an asset-based policy agenda in China's current environment.

Inclusive growth as a new development strategy

China's economic growth and the shift in development strategies

Over the past three decades, the world has witnessed China's astonishing economic growth. Since the late 1970s, China's GDP has grown at an average of over 9 per cent annually. In 2010, China eclipsed Japan, becoming the world's second-largest economy.[2] This record economic growth has substantially contributed to poverty reduction and the improvement of Chinese citizens' quality of life. Since the launch of China's economic reform in the late 1970s, over 500 million people have been lifted above the official poverty line (Ravallion and Chen 2007). Many of the Millennium Development Goals have already been achieved in China, and its citizens are benefiting from improvements in education, health and housing (The United Nations 2010a).

Nevertheless, income and other inequalities have increased in tandem with the economic growth. The overall Gini coefficient jumped from 0.16 before China's market reform to 0.45 in the early 2000s and to 0.47 in 2007 (United Nations Development Programme [UNDP] 2008). There has been widening income disparity between urban and rural areas, as well as across regions. According to the National Bureau of Statistics, the ratio of urban to rural income rose from 2.49 in 1980 to 3.34 in 2005 (Huang, Zhang, and Rozelle 2008). The income ratio of coastal and western provinces increased from 1.40 to almost 2 from 1985 to 2004 (Zhuang 2008). Accompanying these changes are rising disparities in access to basic education, health and other social services, especially between urban and rural populations. There are also disparities in asset holdings: individual and household assets can differ greatly, even among those at similar income levels.

The global financial crisis in 2008 heightened economic and social pressures, prompting a shift in government growth strategies. Haan (2010) argues that China's response to the financial crisis was a defining moment. The crisis revealed China's long-standing structural problems, demonstrating the difficulty of sustaining a conventional growth model that depends heavily on exports (Liang 2010). As a result of the crisis, the government has tried to reduce its dependency on foreign demand and increase domestic demand by providing more employment opportunities and equalizing income distribution (Liang 2010). The nature of economic growth, rather than its rate, has received greater attention. Since 2008, policy-makers have pursued broadly based growth, which would include the poor. Because the poor typically have a lower rate of consumption, reducing economic inequality is considered a means of increasing domestic consumption (Stiglitz 2008).

The inclusive growth perspective

'Inclusive growth' is defined as 'growth that not only creates new economic opportunities but also one that ensures equal access to the opportunities created for all segments of society including the disadvantaged and the marginalized' (Ali 2007, 10). Inequalities hinder the expansion of economic opportunities. Many economists believe that rising inequalities not only pose threats to social and political stability but also negatively influence investment and long-term development. Coupled with insufficient social safety nets, inequalities significantly constrain domestic consumption and impede further economic growth. This outlook opposes the traditional view of economic inequality as inherent in the growth process (Lewis 1966).

The main goal of inclusive growth is to increase access to economic opportunities, especially among the poor. Inequalities can be caused by effort (or lack of it) and circumstances (Ali 2007). Effort is under the control of, and is therefore the responsibility of, the individual. Circumstances such as religious background and childhood influences, however, are exogenous and beyond the individual's control. Inequality due to differences in effort reflects the effects of market-based incentives for promoting innovation and entrepreneurship. This can be seen as 'good inequality'. However, inequality due to differences of circumstances is often the result of social exclusion arising from deficiencies in the existing systems and should be addressed through public policy intervention. This is considered 'bad inequality'. The pursuit of economic growth should provide all members of society with equal opportunities to participate in, and contribute to, the growth process, regardless of their individual circumstances. While many factors have contributed to the growing inequality in China, disparities in economic participation are the most significant. Institutional barriers, such as the household registration system and inadequate social welfare programmes, have largely excluded rural residents, the poor and other vulnerable populations from access to development opportunities. The government's new FYP seeks to achieve sustainability of economic and social development by prioritizing equitable welfare distribution, transforming economic structures, increasing domestic consumption and upgrading the social welfare system. Policy goals such as 'increasing minimum wages of workers by 13 percent' (Zhang and Chen 2012) and 'providing 36 million units of social housing to poorer urban residents through 2015' ('Wu nian jiang jian bao zhang fang san qian liu bai tao' 2011) reflect the government's efforts to shift the development strategy by addressing inequality.

The inclusive growth approach emphasizes the role of social policy in expanding disadvantaged people's economic participation. It holds that social policies can function not only as a protection system but also as a means to promote the poor's development prospects. Ianchovichina and Lundstrom (2009) propose that inclusive growth strategies should move from short-term income-redistribution measures to more long-term policy interventions such as productive employment. Similarly, Ali (2007) and Zhuang (2008) argue that equal access to opportunity is linked to investment in human capacities rather than redistributive measures. Such asset-based policy programmes benefit and ensure sustainable economic growth, and play a key role in the promotion of inclusive growth.

Asset-based social policy and inclusive growth

Asset-based social policy has been proposed as a new welfare policy framework and as a means of combating obstacles to domestic and global development (Lerman 2007; Midgley 2003; Sherraden 1991, 1997). Research has found that assets have important social, economic and psychological effects on individuals and households, especially the poor (Lerman and McKerman 2008; Paxton 2001). A variety of asset-based policies and programmes such as individual development accounts (IDAs) and child development accounts (CDAs) have been implemented worldwide. IDAs match the funds in the savings accounts of the poor so that they can save and build assets for their long-term development. CDAs allow asset building to begin early in life.

Asset inequality and the social welfare system in China

Assets, considered independently from income/expenditure indicators, are an important measure of household welfare and actual inequality (Sahn and Stifel 2003). While income inequality in China has been widely recognized, less attention has been paid to asset disparities. Since China's reform in the late 1970s, the country has witnessed a surge of asset accumulation whereby ordinary people can pursue wealth. It is estimated that the growth rate of wealth has exceeded that of GDP and per capita income (Li, Wei, and Ding 2005). Between 1995 and 2002, the asset holdings of Chinese households, measured by per household net wealth, grew at an annual rate that was almost three times that of per capita income (Meng 2007).

Table 1 shows the composition of various wealth measures in rural and urban areas and in the nation as a whole based on 2002 household survey data.[3] For the nation as a whole, housing and financial assets accounted for 79.7% of net wealth. Land was the most important asset for rural residents, whereas housing was the most important for urban residents. A study conducted by Li, Wei and Ding (2005) found that, of six measures of wealth, net real estate value and financial assets increased the most between 1995 and 2002, with growth rates of 20% and 17%, respectively.

Nonetheless, there is significant inequality across groups in the growth of wealth. The average growth rate of net wealth shows a high disparity between residents in rural and urban areas. Between 1995 and 2002, net wealth had increased 18.9 per cent annually for urban residents and only 11.5% for rural residents (Meng 2007). This asset inequality is much larger than the income inequality between the two groups. The rural–urban per capita wealth gap in 2002 was 1 to 3.6 compared to the 1 to 3.11 rural–urban income ratio for the same year (Li, Wei, and Ding 2005).

Not surprisingly, households with higher incomes have larger stores of accumulated wealth. Table 2 shows the share of assets among various income groups and reveals large

Table 1. Composition of per capital wealth in China in 2002.

Wealth Items	Rural		Urban		National	
	Value (Yuan)	%	Value (Yuan)	Per cent	Value (Yuan)	%
Total net wealth	12,974	100	46,134	100	25,987	100
Land value	3974	30.7	–	–	2421	9.4
Housing value	5565	43.0	29,703	64.4	14,989	57.9
Financial assets	1593	12.3	11,958	25.9	5643	21.8
Production assets	1182	9.1	816	1.77	1037	4.0
Durable consumer goods value	793	6.1	3338	7.24	1784	6.9
Present value of other assets	–	–	620	1.34	242	0.9
Non-housing debt	−169	−1.3	−301	−0.65	−219	−0.8

Source: Summarized from UNDP (2005).

Table 2. Wealth distribution by income groups in China in 1995 and 2002.

Income group deciles	Urban		Rural		National	
	1995	2002	1995	2002	1995	2002
1	0.7	0.2	3.1	2.0	2.0	0.7
2	2.2	2.6	4.7	3.7	3.8	2.1
3	3.2	4.0	5.8	4.9	5.0	3.0
4	4.3	5.3	6.7	6.0	6.1	3.8
5	5.6	6.5	7.7	7.1	7.2	4.8
6	7.3	8.0	8.8	8.4	8.4	6.2
7	9.3	9.9	10.2	9.9	9.8	8.3
8	12.1	12.6	12.0	12.0	11.8	11.8
9	16.9	17.2	14.9	15.6	15.2	17.9
10	38.5	33.9	26.2	30.5	30.8	41.4

Source: Li, Wei, and Ding (2005).

gaps in wealth accumulation corresponding to income group. Between 1995 and 2002, the asset share of the poorest decile fell from 2.0% to 0.7%, while that of the highest income group increased from 30.8% to 41.4%. In addition, high-income families usually have more diverse asset holdings than low-income families (Chen 2008). Low-income households hold fewer types of financial assets (e.g. stocks, foreign currency, bonds) than high-income households. Thus, the poor are much less sheltered from financial risk than the wealthy (Chen 2008). While the 2007 CHIP data are still not available, a few summarizing values demonstrate an upward trend of rural-urban wealth inequalities between 2002 and 2007. Compared to their urban counterparts, rural households had significantly less source of asset income, measured by financial assets and imputed rental income from owner-occupied housing (Li and Sato 2012).

These increased asset inequalities are closely related to economic and social reforms. Although economic reform has increased opportunities for wealth accumulation for many, these opportunities have been withheld from rural residents and the urban poor. While wealth accumulation is often considered to be the outcome of individual motivation and effort, institutional factors play a significant role in determining people's wealth gains and lead to various types of asset inequality (Beverly *et al.* 2008). A study by Meng (2007), based on survey data collected from 1995 to 2002, shows that the asset accumulation imbalance in urban China is strongly associated with institutional factors that offered opportunities to some but not to others. Party members and their children, for example, enjoy more institutional benefits and tend to accumulate wealth at a faster rate than the poor and vulnerable (Meng 2007). Huang *et al.* (2011) also found that the interplay of demographic and institutional characteristics has a significant effect on asset accumulation in urban China.

Social policies are among the institutional factors that greatly extend or constrain people's access to asset-development opportunities. Prior to the reform, China had established a nearly universal welfare infrastructure that provided comprehensive aid from the cradle to the grave (although the systems for urban and rural residents differed). Since the early 1980s, however, dramatic changes in the social and economic spheres have transformed the structure and functioning of the social welfare system. The pre-reform welfare system has been largely dismantled due to the restructuring of state-owned organizations in cities and the decline of the rural economy. Economic growth has been the top priority of policy-makers: attention to the social welfare system has flagged, leading to its failure to respond to a variety of social challenges. Welfare provisions have been reduced and are often dependent on citizens' residential or employment status. The dual household registration system offers different welfare provisions to urban and rural residents, which has resulted in unequal access to opportunities for asset ownership. Urban residents and those employed in large state-owned sectors are often eligible for various welfare schemes that help them accumulate assets, such as the Housing Provident Fund (HPF), a long-term compulsory saving programme for home ownership, and the Medical Savings Account (MSA) for health care. Urban residents also have much easier access to financial markets and investment information. Rural residents, in contrast, are either excluded from these welfare systems or receive only a fraction of the benefits.

It should be noted that, since the 2000s, welfare policies have been initiated to mitigate the negative consequences of rapid economic growth for the poor, such as the expansion of social assistance schemes and the social security system to rural areas. However, many of these policies are income-based and are intended to address a family's short-term needs rather than its long-term capacity and development. Asset-based social policies have been proposed as a means of combating poverty and as evidence of the new commitment to inclusive growth.

Asset-based social policy and inclusive growth in China

Asset-based social policy is a promising approach for achieving inclusive growth because of its focus on both development and inclusiveness. Asset-based policy links asset building with economic development efforts; assets are an integral part of overall development strategies to improve living standards (Midgley 2003). In addition, the asset-based approach targets low-income households. Promoting their economic and social participation reflects an awareness of the need to invest in people (Midgley 2003). It is an approach that replaces consumption-based reasoning with capacity-based reasoning (Sen 1999) and thus overturns the conventional welfare view that social welfare policies are barriers to economic growth.

Asset-based social policy is in keeping with the inclusive growth agenda because of its comprehensive and progressive goals. People with low incomes are less likely to engage in investment or income-augmenting activities (Ali 2007). It is very difficult for the poor to compete with the rich for limited resources. Building the assets of the poor will allow them more investment opportunities, which will have a positive effect on economic growth in general. Studies have shown that the poor have the capability to save and accumulate assets, and that they will invest in their long-term well-being if provided with appropriate institutional incentives (Loke and Sherraden 2009; Schreiner and Sherraden 2007).

Access to assets has been a major force driving economic growth and prosperity in China. The economic reform of the late 1970s supported the individual's right to own assets. In rural areas, land use rights gave farmers access to assets that they were not allowed to own in the pre-reform era. In urban areas, a series of reforms allowed people to own houses, vehicles, capital, businesses and social insurance accounts. The government has claimed that the 12th FYP will be devoted to building a prosperous society. A series of policies have been introduced to redistribute wealth and help low-income families accumulate assets. These policies include raising the exemption threshold for personal taxes, creating a new pension plan for rural areas that will benefit 900 million farmers, improving subsidies for individual pension accounts and expanding MSA programmes. However, access to assets is still not equitable due to the persistence of institutional barriers. Building assets, especially for the poor, should be a key component of social policy for long-term development. Following the implementation of the reform, China has experienced dramatic changes in its government and demographic, leading to increased internal migration, a more flexible labour market and changes in welfare ideology. These developments require a new institutional framework of welfare policies and programmes. Social policies should be flexible enough to reflect external changes.

The Hutubi programme: a promising approach

A policy programme in Hutubi county in the Xinjiang Uyghur autonomous region is an example of an asset-based approach that broadens the access of low-income households to economic development opportunities and promotes inclusive community development.

A development of a rural retirement insurance scheme launched in the early 1990s, the Hutubi programme innovatively linked the social insurance policy with the development needs of account holders in the local community. It allowed rural households to apply for microloans using their social insurance certificates as legal collateral. Farmers could borrow from their retirement accounts to invest in livestock, farm equipment, home improvements or other material assets related to agricultural production. The interest rate was relatively low, and the term was flexible, varying from three months to three years (Guo, Huang, Sherraden, and Zou 2008). Introduced in 1998, the Hutubi Rural Retirement Social Insurance Loan Program has attracted the attention of academics and policy-makers as an example of a bottom-up policy innovation with important implications for asset-based social policy (Guo, Huang, Zou, and Sherraden 2008; Zhang 2005, 2007; Zou and Sherraden 2009).

Records show that from January 2002 to July 2007 about 2000 households participated in the loan programme and almost 80% of these used their social security cards as collateral (Zhang 2007). A study of the programme, with a sample of 450 participants, found that peasants in Hutubi used the funds they borrowed primarily for material assets related to agricultural production, such as purchasing livestock, seeds, electrical farming equipment, transportation tools and running small business (Zhang 2008). Over 95% of the loans were paid back on time (Zhang 2007; Guo, Huang, Sherraden, and Zou 2008). In addition, the rural social security funds have steadily increased in the past decade, which indicates that programmes like this one may be the solution to the financial predicaments of the social security systems in many rural areas (Zhang 2007). The ‘Hutubi model’ increased farmers’ access to credit, resulting in greater investments in production and the development of household assets (Guo, Huang, Sherraden, and Zou 2008).

The Hutubi programme relied on loans, but the loans were from the participants’ own savings. It was a means of putting assets that have been saved to a different use. As one of the programme’s creators noted, the programme turned ‘dead’ assets into ‘live’ assets by permitting savings to be used for economic development (Zou and Sherraden 2009). Microfinance can have many forms, including microsavings and microcredit, which can interact productively. The Hutubi programme encouraged farmers to build their assets through a self-loan strategy, showing the close relationship between microfinancing and asset building. Taking farmers’ long-term prospects into consideration, the Hutubi programme promoted the economic participation of often poor rural households in the local community (Guo, Huang, Zou, and Sherraden 2008) and thus strengthened community cohesion. Qualitative research has established a positive link between asset accumulation and improved social harmony in the Hutubi community (Zou and Sherraden 2009). The Hutubi model has been adopted by many other provinces and represents a promising approach to integrating social welfare policies with overall household and community development goals (Zhang 2007; Zou and Sherraden 2010).

An asset-based policy agenda for inclusive growth

Asset-based social policy can be applied in a wide range of welfare services. The following discussion focuses on three areas of welfare policy where asset-based programmes could be developed or expanded in mainland China.

Asset-based social policy and social security

Socio-economic and demographic changes have profoundly influenced the form and nature of social security systems around the world. Now, in addition to the traditional social insurance model, there are various defined-contribution programmes that create asset-based accounts, such as individual retirement accounts and IDAs. Many researchers predict that individual asset accounts are likely to play a leading role in social policy transformation (Sherraden 1997; Lerman 2007). Social security is no longer merely a social safety net for elderly people. It is a means of promoting the economic and social development of individuals, households and the nation as a whole.

In China, the comprehensive employer-based labour insurance schemes of the past have been supplanted by a blend of social insurance and individual accounts (Tang and Ngan 2001). In 2009, the new rural social retirement scheme was implemented, which extends to rural residents benefits that were once available only to urban residents. However, to date, social saving accounts are still the main method of collecting funds (Feldstein and Liebman 2006). The social security system is based on a pay-as-you-go model that has functioned primarily to promote consumption rather than investment and other development goals. The existing social insurance programmes have not been progressive. Many of the poor are unable to enjoy the same policy benefits as those better off. The lack of transferability among various social pension programmes has greatly constrained labour mobility, negatively impacting economic development.

In the future, China's current social security system will face great challenges. China's population is rapidly aging, so fewer young people will be available to support the increasing number of seniors. In addition, it will be a fiscal and managerial challenge to expand social security coverage for the growing number of self-employed and part-time workers. The financial burden on the government could create greater public debt and impede economic growth. Given these challenges, the social security system should move beyond the simple provision of funds for commodities and orient itself towards the broader goals of investment and development. Individual investment-based accounts such as IDAs and other retirement accounts represent a promising alternative.

Asset-based social policy and social assistance

In many developed countries, social assistance exclusively targets the poor, the disabled and other vulnerable members of the population. It is offered through means-tested programmes, such as the Supplemental Nutrition Assistance Program (formerly the Food Stamp Program) and Temporary Assistance for Needy Families in the US. However, due to the stringent asset restrictions of such programmes, the recipients are discouraged from opportunities to accumulate assets.

In China, asset-based policy programmes could be integrated into the Minimum Living Standard Scheme (MLSS), the current social assistance system. MLSS is a social safety net that offers basic financial and welfare services to urban and rural poor who are not eligible for social insurance or other welfare benefits. While MLSS has alleviated some of the economic stress experienced by the poor, researchers maintain that its stigmatized and means-tested assistance programmes can weaken recipients' will to pursue self-development and eventually move out of poverty (Xiao 2007; Yang and Sun 2005). It is also argued that these programmes increase the likelihood of poverty transmission across generations. To counter these trends, some researchers have devised ways to introduce IDAs into the current MLSS (Yang and Sun 2005). For instance, the MLSS could set up an IDA for each welfare recipient (or household). Such an incentive could stimulate low-income families to save and manage money for their long-term development. Similar asset-based initiatives could also be applied to other types of assistance programmes such as medical aid and educational subsidy programmes. The government is currently expanding the MSA programme to give more rural residents better access to health services. The government could also encourage low-income families to invest in their child's education by providing incentives to open an educational savings account.

Asset-based social policy and child welfare

Children, in particular, benefit from asset building because its influence is felt from their early years, and they are in a position to reap its rewards (Loke and Sherraden 2009; Meyer, Masa, and Zimmerman 2010). Research has shown that household assets are positively associated with children's educational achievement, such as completion of high school and post-secondary education (Conley 2001; Zhan and Sherraden 2003). Asset-based social policy is strongly committed to child welfare and development. Child development accounts (CDAs) have been implemented by Singapore, Korea, Hong Kong, the United Kingdom and many other countries.

It is only recently that child welfare policy has become a priority for the Chinese government. The Ministry of Civil Affairs has launched a series of programmes to increase welfare provision to children in poverty. While no official statistics have been issued yet, researchers estimate that more than 7 million of China's 320 million children under the age of 18 live in poverty (Shan 2010). Most are supported by their families. The government endeavours to include children who have been excluded from the current MLSS, such as orphaned or abandoned children (Ministry of Civil Affairs 2006). The new policy initiatives are the product of an income-based welfare ideology, aimed to meet children's immediate needs rather than support their long-term development (e.g. health, education and career path). One asset-based approach would be to create institutional opportunities for children and their families to accumulate assets. The experience of other countries has shown that CDAs can be a crucial component of child welfare policies (Meyer, Masa, and Zimmerman 2010). They not only foster the development of individual children but also produce a far-reaching effect on their families by reducing the intergenerational transmission of poverty (Loke and Sherraden 2009; Meyer, Zimmerman, and Boshara 2008). Promoting child development, and not merely protection, will have a wide-ranging and positive impact on economic and social development.

Conclusion

The focus on inclusive growth is a sign of a new philosophy of social policy and development. Conventional income redistribution mechanisms offer crucial income support to the most vulnerable but may not be sufficient to achieve inclusive growth. Asset-based social policies are a promising complement. By extending asset development opportunities to the entire population, especially the poor, there is a much greater likelihood of achieving inclusive growth.

Asset-based social policies show promise as a means to address the challenges China is experiencing as a result of its rapid economic growth. While economic reforms have opened up a variety of opportunities for asset accumulation, there are disparities in distribution of assets across the population. Institutional barriers such as the household registration system have contributed greatly to these asset inequalities. Asset-based policy programmes have been implemented in many countries and have potential application to a number of policy areas, including, but not limited to, social security, social assistance, child welfare and community development.

China has undergone profound changes. Its social protection system will need to address new forms of vulnerability (Cook 2002). According to Lerman (2007), a welfare system develops in three stages: social welfare assistance gives way to social insurance, which, in turn, is supplanted by asset-based programmes. This three-stage development reflects individuals' increasing ownership of the benefits that accompany social transformation. As China undergoes unprecedented socio-economic upheavals, social welfare programmes and policies will need to focus on capacity building rather than consumption. Government policies should encourage a social protection system that focuses on investment in human capital, community development and the nation's future economic growth. The inclusive growth strategy signifies an ideological and policy shift. Asset-based social policy will likely play a major role in China's ongoing development.

Notes

1. Noted in both 'Analysts: Inclusive growth key to China's future development' (2010)and 'Inclusive growth, a development perspective in China' (2010).
2. Noted in 'China passes Japan in Q2 as 2nd largest economy' (2010).
3. The wealth distribution data cited in Table 1 and Table 2 are derived from the China Household Income Project (CHIP), a national cross-sectional survey conducted by the Institute of Economics, China Academy of Social Sciences (CASS) (as quoted in Li *et al.* 2008). The CHIP study is considered the best publicly available data source on China's household income, assets and expenditure (Gao and Riskin 2009). The most recent available data are from the 2002 study. The 2007 dataset will be released to the public in the near future.

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